GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:735
ANSWERED ON:21.02.2003
CAPITAL ACCOUNT CONVERTIBILITY
RENUKA CHOWDHURY

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) Whether the Government have a nine-points reforms agenda to

(b) take India towards full capital account convertability;

(c) if so, the details of the reforms agenda;

(d) the reaction and response of the Indian and foreign trade and

(e) industry thereto; and

(f) the impact of this on the country`s economy?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANAND RAO V. ADSUL)

(a) and (b): On January 10, 2003 speaking on the occasion ofthe Pravasi Bhartiya Divas celebration in New Delhi, the Union Minister of Finance and Company Affairs announced the following relaxations on capital account transactions for a period of six months:

- Removal of the limit of US $ 20,000 for remittance under the Employees Stock Options Programme (ESOP) Scheme;

- Discontinuation of limits on trade-related loans and advances by Export Earners Foreign Currency (EEFC) account holders, though the transactions will continue to be reportable to RBI.General permission to retain ADR/GDR proceeds abroad for future foreign exchange requirements;

- Permission to corporates, who have set up their branches and offices abroad, to acquire immovable property overseas for their business/staff residential purposes;

- Permission to listed Indian companies to invest abroad in companieslisted in recognized overseas stock exchanges and having at least 10 percent shareholding in a company listed on a recognised stock exchange in India, on January 1 of the year of investment. Such investments should not exceed 25 percent of the Indian company`s net worth as on the date of the last audited balance sheet;

- Mutual funds are permitted to invest abroad in companies which are listed on overseas stock exchanges and which have at least 10 percent shareholding in a company listed on a recognized stock exchange in India on January 1 of the year of investment. Theoverall cap for investment abroad by mutual funds is raised to US $ 1 billion;

- Apart from companies, individuals are also permitted to invest abroad in companies which are listed on overseas stock exchanges and which have at least 10 percent shareholding in a company listed on a recognized stock exchange in India on January 1 of the year of investment. However, no investment limits are fixed for individuals;

- With regard to transfer of assets in India, remittance of proceeds up to US $ 1 million is permitted.

(c) and (d): The announcement of these policies, in general, was welcomed by the industry, trade organisations and the Non-Resident Indians.